



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CAMPBELL COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Campbell County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The account balance in the County Clerk's 75% Operating Fund increased by \$56,013 from the prior calendar year, resulting in a fund balance of \$57,920 as of December 31, 2000. Revenues increased by \$55,642 from the prior year and disbursements increased by \$1,536.

Report Comment:

County Clerk Should Properly Distribute Delinquent Taxes Collected

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements and excess fees of the County Clerk of Campbell County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the receipts, disbursements and excess fees of the County Clerk and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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In accordance with Government Auditing Standards, we have also issued a report dated September 12, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following finding:

- County Clerk Should Properly Distribute Delinquent Taxes

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 12, 2001

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grant:

Library and Archives Grant	\$	1,280
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State Fees For Services		32,522
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Fiscal Court		102,181
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,473,208
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Usage Tax		7,160,678
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Tangible Personal Property Tax		5,875,262
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Notaries		24,674
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Lien Fees		11,373
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Duplicates		11,265
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Licenses-

Marriage		32,576
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Deed Transfer Tax		257,306
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Delinquent Tax	815,366	15,661,708
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	35,475
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Real Estate Mortgages		67,672
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Chattel Mortgages and Financing Statements		135,328
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Powers of Attorney		2,563
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Leases		319
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Bail Bonds		861
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Miscellaneous Recordings		167,955
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Other		1,612
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Charges for Other Services-

Candidate Filing Fees		3,720
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Copywork		38,900
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Postage		40,527
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CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Receipts (Continued)

Other-

Salary Reimbursement	\$	27,399	
Miscellaneous		16,288	
Overpayments		57,949	
Interest Earned		9,697	\$ 606,265

Gross Receipts			\$ 16,403,956
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,096,338
Usage Tax		6,945,120
Tangible Personal Property Tax		1,772,798

Licenses-

Delinquent Tax		100,457
Legal Process Tax		66,923
Candidate Filing Fees		1,900
	\$	9,983,536

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	478,883	
Delinquent Tax		72,114	
Deed Transfer Tax		244,440	795,437

Payments to Other Districts:

Tangible Personal Property Tax	\$	3,445,038	
Delinquent Tax		438,448	3,883,486

Payments to Sheriff		10,213	
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CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Payments to County Attorney	\$	128,889	
Library and Archives Grant Expenditures		1,280	
Refunds of Overpayments		52,820	
Election Supplies Reimbursed by Fiscal Court		9,260	
Salaries Reimbursed		76,102	
Delinquent Taxes Transferred to 2001 Account		<u>3,099</u>	
Total Disbursements			<u>\$ 14,944,122</u>
Net Receipts			\$ 1,459,834
Payments to State Treasurer			
75% Operating Fund	\$	1,132,561 *	
25% County Fund - Excess Fees		<u>327,273</u>	<u>1,459,834</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

Includes reimbursed expenses in the amount of \$150,740 for the audit period.

The accompanying notes are an integral part of the financial statement.

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

December 31, 2000

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2000	\$ 1,907	\$	\$ 1,907
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,132,561		1,132,561
Fees Paid to State - County Funds (25%)		327,273	327,273
Total Funds Available	\$ 1,134,468	\$ 327,273	\$ 1,461,741
<u>Disbursements</u>			
Personal Services-			
Official's Statutory Maximum	\$ 76,250	327,273	\$ 403,523
Official's Training Incentive Training	1,394		1,394
Official's Expense Allowance	3,600		3,600
Deputies Salaries	611,819		611,819
Part-Time Salaries			
Overtime	28,677		28,677
Employee Benefits-			
Employer's Share Social Security	55,070		55,070
Employer's Share Retirement	55,262		55,262
Employer's Paid Health Insurance	94,532		94,532
Contracted Services-			
Printing, Binding, and Advertising	17,229		17,229
Accounting	1,360		1,360
Materials and Supplies-			
Office Supplies	35,209		35,209
Phone and Paging	21,018		21,018
Computer Equipment and Programming	15,779		15,779
Bonds and Insurance	17,536		17,536

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
 FUND AND COUNTY FUND WITH THE STATE TREASURER
 December 31, 2000
 (Continued)

Disbursements (Continued)

	75% Operating Fund	25% County Fund	Totals
Other Charges-			
Travel	\$ 2,532		\$ 2,532
Dues, Memberships, and Conventions	8,223		8,223
Postage	18,460		18,460
Notaries	30		30
Delivery Charges	1,820		1,820
Maintenance	7,290		7,290
Miscellaneous	3,458		3,458
Total Disbursements	<u>\$ 1,076,548</u>	<u>\$ 327,273</u>	<u>\$ 1,403,821</u>
Fund Balance - December 31, 2000	<u>\$ 57,920</u>	<u>\$ 0</u>	<u>\$ 57,920</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the State Treasurer each month.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying balances to the respective county government.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000 the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Library and Archives Grant

During calendar year 2000, the County Clerk maintained an account for the Library and Archives Grant. There was a beginning balance at January 1, 2000 of \$2,787. Interest of \$33 was earned. Funds totaling \$1,280 were expended during calendar year 2000. The unexpended grant balance was \$1,540 as of December 31, 2000.

Note 5. Bond Account

During calendar year 2000 the County Clerk maintained a bond account. When a mechanics lien is filed, funds can be deposited into this account until the dispute has been settled. This account had a beginning balance of \$31,024. Funds totaling \$10,300 were deposited and interest of \$439 was earned. Total funds expended were \$39,978 leaving an unexpended balance of \$1,785.

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COMMENT AND RECOMMENDATION

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL-REPORTABLE CONDITION

County Clerk Should Properly Distribute Delinquent Taxes

Due to a computer programming error in the delinquent tax program, the County Clerk overpaid the following districts on collections of 1997 delinquent tax bills by a total of \$4,922.91. The computer program's error affected 1997 delinquent taxes collected between March 1999 and April 2001. The program did not allow the County Clerk to keep his commissions on these taxes collected.

State	\$ 848.76	County	\$ 585.08
County School	\$ 742.36	Newport School	\$ 1,099.58
Bellevue School	\$ 261.95	Dayton School	\$ 657.24
Silver Grove School	\$ 79.34	Conservation	\$ 8.03
Library	\$ 217.36	Health	\$ 134.18
Cooperative Extension	\$ 107.38	Courthouse Commission	\$ 53.38
Fire District #2	\$ 31.68	Fire District #3	\$ 6.33
Fire District #4	\$ 5.13	Fire District #5	\$ 10.68
Fire District #6	\$ 6.93	Fire District #7	\$ 7.55
Fire District #9	\$ 9.11	Fire District #10	\$ 50.86

We recommend that the County Clerk collect refunds from these districts, deposit them into his fee account, and turn them over on a pay- in voucher where they should be broken down between the Operating Fund (75% Account) and the County Fund (25% Account). We also recommend that in the future the County Clerk manually check computer prepared reports on a test basis to determine their accuracy.

County Clerk's Response:

Management concurs.

PRIOR YEAR FINDINGS:

The County Clerk Should Have Had a Written Agreement To Protect Deposits

This has been corrected in the current year.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Members of the Campbell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Campbell County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Clerk's financial statements for the year ended December 31, 2000, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- County Clerk Should Properly Distribute Delinquent Taxes

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be a material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control that might be reportable conditions and, accordingly, would not necessary disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 12, 2001

